

**TOBACCO SETTLEMENT FINANCING CORPORATION
REQUEST FOR PROPOSALS FOR
INVESTMENT BANKING SERVICES
DATED SEPTEMBER 22, 2006**

RESPONSES TO QUESTIONS AND CLARIFICATIONS

Below are responses to questions that were posed by the deadline of 5:00 pm, October 2, 2006 set forth in the Request for Proposals.

Questions

1. ABC Corp. has been recently approved to be part of the selling group for the State of NJ. We received the RFP on the Tobacco Settlement and are unsure if as part of the selling group we:
 - a. need to submit a proposal
 - b. complete the forms in the RFP.

Can someone explain to us the process and the timeline. Our customers are looking forward to participating in this and future issues.

2. XYZ Corp. was recently placed on the selling group members list for the State of New Jersey by Director Feldman. Please advise if this list includes the Tobacco Settlement issuance. In the case it does not could you please inform me what would be required to be included as a selling group member if the corporation plans on using one. Thank you for your time and effort in this matter.

Answer

- 1 & 2. *Bonds issued by the Tobacco Settlement Financing Corporation (the "Corporation") are considered unique securities outside the scope of the State of New Jersey's RFQ dated June 13, 2006 (due June 28, 2006) which covered only State and State Authority issues backed by the State and/or its appropriations. The Corporation, by its RFP dated September 22, 2006, is seeking an entirely new set of underwriters that can advise and assist the Corporation. Any underwriter wishing to participate in an underwriting for the Corporation should read the Corporation's RFP dated September 22, 2006 in its entirety and follow the instructions contained therein. Prior admission to any pool maintained by the State of New Jersey or the prior submission of any documents to the State of New Jersey will not be considered or reviewed in matters pertaining to the Corporation.*

Question

3. ABC Corp. has Excess Net Capital sufficient to underwrite up to \$xxx million in any one investment grade issue. The firm holds and maintains all require licenses necessary to perform the services required by the Corporation. ABC Corp. has not served as a Senior manager or Co-Senior Manager for at least two securitization transaction. However, ABC Corp. has served as Financial Advisor for xxx discreet Tobacco Securitization financings. Based upon those Financial Advisory credentials, would ABC Corp. qualify to serve as a Bookrunning Senior Manager or Co-senior Manager for the proposed Tobacco Settlement Financing Corporation?

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Answer

3. *Experience as a financial advisor does not count towards qualification for Senior or Co-Senior Manager status.*

Questions

4. Will the underwriter's counsel named in Question 16 be responsible for disclosure as well as representing the underwriter or will there be another firm responsible for disclosure?
5. In question 16, should our stated expenses include the cost of underwriter's counsel or should underwriter's counsel only be separately provided?

Answer

- 4 & 5. *The Corporation expects that underwriters' counsel will be responsible for the preparation of the offering circular in conjunction with bond counsel. Therefore the Corporation will expect both sets of counsel to be familiar with MSA-backed securities and their disclosure requirements. It is not currently expected that the Corporation will seek additional disclosure counsel, although this is subject to change. Please provide underwriter's counsel as a separate estimated expense and not as part of the underwriter's expenses.*